

# INFLUENCE OF FINANCIAL LITERACY AND FINANCIAL ATTITUDE ON FINANCIAL WELL BEING AND ECONOMIC EMPOWERMENT OF WOMEN

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**Abstract:** The aim of this study is to know the key concepts including financial literacy, financial attitude, financial wellbeing and economic empowerment and then present the influence of financial literacy, financial attitude and financial wellbeing on the economic empowerment. The socio-demographic factors do have an influence on the financial attitude and behaviour. The data was collected between March and May 2017 from women falling to various age groups through direct and online structured close ended questionnaire. The results calls for more active participation of the government, financial institutions etc. in creating awareness of financial products and educating women to increase financial wellness and preparing them for future as they tend to live long when compared to men and there is an increasing tendency for women to remain single.

**Key words:** *Financial Literacy, Financial Attitude, Financial Wellbeing, Economic empowerment*

## I. INTRODUCTION

In the midst of rising cost of living, proliferation of products and services, digitalisation etc management of money calls your attention and skill so as to multiply wealth. Technology has paved way to information exploitation in the way the financial institutions desire to for selling their financial products. How informed are we? Are we taking the right decision while allocating our hard earned income? Are you able to meet your financial goals and needs? The questions are unending when it comes to managing finance for a common man. Women is no exception. Personal financial circumstances are more crucial, as women tend to live long and are vulnerable to the more complex situations in the stages of their life.

Kerala is the twelfth largest state by population, with the highest life expectancy (Almost 77 years) and the highest sex ratio (as defined by number of women per 1000 men: 1,084 women per 1000 men) among all Indian states. As per Population Census of India 2011, the Literacy rate of Kerala is 93.9%, the top in India. Kerala has the highest unemployment rates and ranks worst. In Kerala, in spite of lower per capita income, compared to other states, the rate of savings is very high, which is reflected in the high volume of deposits mobilized by the commercial banks, co-operative banks and regional rural banks. Consumerism found favour with people especially among the middle and low income groups. The people in Kerala recognize consumption as a yardstick to measure socio economic status and prestige. Demonstrative and luxurious consumption has resulted in heavy financial commitment for the people .Unable to pay back the loans taken from individuals and financial institutions, many are driven to suicide. In Kerala debt is commonly used to increase the convenience of daily life and help achieve long term goals such as buying own home. As population ages, people are also more likely to have investments, and more likely to fund retirement from more than one source. Households with dual income are becoming quite common in the urban parts of Kerala and women are momentous in decision making in these

households, especially in decisions pertaining to saving, budgeting and investing money. It is crucial that in such situations women are well informed and are able to choose wisely when it comes to money matters. It is being said that “Women’s spending priorities differ from men’s, with women notably more likely to buy goods and services that improve the family’s welfare. Thus, as women gain decision-making power, household spending patterns are likely to shift. Household savings rates are also likely to rise.” Though many women earn, when it comes to managing personal finance they lack confidence. Women world over are less confident of their financial skills than men; their working knowledge of their financial portfolios are limited, a research has opined. Empirical evidence suggests financial literacy’s positive impact on financial behaviour and financial status in a number of behavioural domains.

## II. REVIEW OF LITERATURE

There is no consistent definition for financial literacy. Organization for Economic Co-operation and Development (OECD) has defined financial education as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”. Thus, Financial Literacy is the ability to grow, monitor, and effectively use financial resources to enhance the well-being and economic security of oneself, one's family, and one's business. Financial literacy helps in building up the skills and confidence of the youth to become more aware of financial opportunities and risks, improve their knowledge of financial markets, concepts and products and assist them in making informed decisions how to generate and maintain a steady balance between their cash inflows and outflows. This is why a great deal of in depth study and research has been carried out with respect to importance of financial literacy and their implications for consumer educators, financial counselors and academicians. This is why governments around the world are promoting the importance of practicing financial prudence.

India has one of the highest savings rate in the world [Bhushan (2014)] indicate that Indians are having a high tendency to save but mostly in the form of bank deposits. The awareness level and investment behaviour of salaried individuals towards financial products is examined in the paper and found that respondents are quite aware about traditional and safe financial products whereas awareness level of new age financial products among the population is low. Majority of the respondents keep their money in traditional and safe investment avenues as compared to new financial products. Pratima Trivedi and Saumya Trivedi (2014) have stated that the status of financial literacy is not satisfactory in India. Especially in rural areas, people are not aware of financial products and services. In rural areas, people keep their savings in their homes which fetches them no interest and are risky also on account of theft. They borrow from local money lenders who charge very high interest rates. Financially-literate individuals do better at budgeting, saving money, and controlling spending (Moore, 2003; Perry and Morris, 2005); handling mortgage and other debt (Campbell, 2006; Lusardi and Tufano, 2009); participating in financial markets (Van Rooij, Lusardi et al., 2011; Christelis, Jappelli et al., 2010; Yoong, 2010); planning for retirement (Lusardi and Mitchell, 2007a; Lusardi and Mitchell, 2008); and ultimately, successfully accumulating wealth (Stango and Zinman, 2009). Further other works demonstrated the link between financial status and other important aspects of household well-being, notably low financial status correlates with poorer physical, mental and emotional health outcomes for all household members and lower educational attainment of children.

## III. RESEARCH METHODOLOGY

Having good money skills has never been more important as Keralites have more choices, flexibility and opportunity in ones lives than ever before, including the way one manage money. As world is becoming more complex to live on with greater responsibility to understand and protect money. Good financial literacy skills are the key to making the most of opportunities and meeting these responsibilities. Having financial literacy skills is an essential basis for both avoiding and solving financial problems, which, in turn, are vital to living a prosperous,

healthy and happy life (CBF, 2005). Financial problems are often the basis for divorce, mental illness and a variety of other unhappy experiences (Kinnunen and Pulkkinen, 1998; Yeung and Hofferth, 1998; Cleek and Pearson, 1985). Thus knowing of financial literacy financial attitude and financial wellbeing and how it empowers women when it comes to management of money is of great importance especially in the context of demonetisation and digitalisation.

### STATEMENT OF THE PROBLEM

Kochi is known as the financial, commercial and industrial capital of Kerala with average female literacy rate of 96.51% . The lack of financial literacy and money management knowledge hinders a women's ability to select appropriate investment products [Glass 1998]. Financial literacy of women also diverges among age groups in that elder women tended more likely to have less financial literacy scores [Lusardi & Mitchell, 2008]. Research done for measuring financial literacy level of women especially in city like Kochi is much less. Even though most of the women are educated and employed especially in the urban areas, how they perform in money matters is yet to be studied. Economic empowerment is considerably and positively related with financial literacy, positive financial attitude and financial wellbeing (Judy L. Postmus, Sarah McMahon et. al. 2012). Financial wellbeing is the product of financial literacy and positive financial attitude although level of financial wellbeing determines the economic empowerment of individuals. Women's economic empowerment is dynamic to recognize women's right and to realise the greater developmental goals such as, poverty reduction, education, economic growth, health and welfare. In this context, the present study would be a pioneer in the area of financial literacy of women especially in the urban areas.

### RESEARCH QUESTIONS AND HYPOTHESES

The study mainly tries to provide answers for the following questions:

1. What are the factors influencing financial literacy of women?
2. What is the influence of socio economic variables on financial literacy of women?
3. What is the influence of financial literacy and financial attitude on financial wellbeing of women?
4. What is the influence of financial literacy, financial attitude and financial wellbeing on economic empowerment of women?

Based on the research questions the following hypotheses are formulated:

H1: Socio economic factors have significant positive relationship with financial literacy of women.

H2: There is significant positive relationship between financial literacy and financial wellbeing of women.

H3: Financial literacy and financial wellbeing of woemn have significant positive influence on their economic empowerment.

### Population & Sample

The population for the study consisted of women dwelling in urban areas of Kochi. The sample of women were carefully chosen with a predetermined criteria like having some income. Convenient sampling technique was applied to select the respective sample of 100 female respondents.

### Data & Statistical tools

Questionnaire was distributed directly to some of the respondents while some was collected through online using google forms and some through email. The questionnaire used was self -developed one considering the personal finance factors and included questions on savings, spending, investing, insurance etc. 5 questions each were included to measure financial attitude, financial wellbeing and economic empowerment. A 5 point Likert scale was used. The reliability and validity of the questionnaire was tested through Cronbach's alpha, and the alpha coefficient of the questionnaire was .83 for the financial literacy, .72 for financial attitude and .79 for the financial wellbeing. Data was analysed using descriptive statistics. Analysis was done using SPSS statistical software.

## IV. RESULTS AND DISCUSSIONS

Table 4.1 :Profile of the respondents

	N=100			N=100	
Age	below 30	10	Income	below 10,000	11
	31-40	25		10,001-30,000	24
	41-50	36		30,001-50,000	27
	51-60	29		50,001-70,000	28
Marital Status	Married	58	Education	above 70,000	10
	Unmarried	12		High School	8
	Widow	4		Graduation	25
	Divorced	26		Post Graduation	36
Family type	Joint Family	31	Employment	Professional degrees	31
	Nuclear Family	69		Gvt.	40
				Private	54
			entrepreneurs	6	

Source: Primary data

Total respondents were confined to 100 after rejection of 19 incomplete questionnaires and 31 unreturned ones. Most of the respondents belonged to the age group of 41-50 indicating that they ought to be matured and settled in life. 26% of the respondents were divorced and single having kids to take care of all alone. In the urban areas it's a trend to move from joint family and 69% belong to nuclear family. Highest percentage of the respondents fall in the income brackets of 50,001 to 70,000. 36% of the respondents completed post graduation and 54% of the respondents work in private sector. With different demographic variable like age, marital status, income level etc., education is the most important variable (Haliassos and Bertaut, 1995; Guiso, Haliassos, and Campbell, 2006) that determines the level of financial knowledge of respondent. Education was used to estimate the financial literacy of the respondents (Adams and Rau 2011).

Association between financial literacy and the socio economic variables are shown in table :4.2. As the age progress financial literacy increases with maximum level of 66.54% is shown by respondents falling in the age group of 51-60. In the table it is seen that F value is not significant at 5% level and can be concluded that financial literacy does not depend on age. In case of education F value is significant at 5% level and can be concluded that financial literacy is positively correlated with educational level. The financial literacy and income is positively correlated with income, marital status and nature of employment of the respondents.

Table :4. 2 F values of Financial Literacy

	F value	Significance (p value)
Age	1.340	.240
Education	12.109	.000
Income	31.948	.000
Marital Status	16.295	.000
Nature of Employment	8.987	.003

Table 4.3: Descriptive Statistics

Variables	Mean	SD	1	2	3	4
1.Financial Literacy	1.268	.0124	1.000			
2.Financial Attitude	2.478	.0568	0.298	1.000		
3.Financial Wellbeing	2.907	.0359	0.139	0.058	1.000	
4.Economic Empowerment	2.433	.0757	0.219	0.199	0.333	1.000

Mean, Standard Deviation and Correlation of the Four Variables. The most influencing variable that effects economic empowerment is the financial wellbeing with mean of 2.907. The Standard deviation is lowest in the case of financial literacy with 0.124. With respect to correlation the relation between financial literacy and financial attitude 0.298, financial literacy and financial wellbeing 0.139 and financial literacy and economic empowerment 0.219. Financial attitude and financial wellbeing are correlated with 5.8% whereas financial attitude has more correlation with economic empowerment. Highest correlation is between financial wellbeing and economic empowerment i.e 0.333.

A set of variable were used to measure the level of financial attitude and financial wellbeing of the working women (OECD INFI, 2011). It was assumed that economic empowerment is significantly and positively related with the financial literacy, financial attitude and financial wellbeing (Abdul Haque Mehwish Zulfiqar 2016).

Table 4.4: Regression Analysis Results-Economic Empowerment and Financial Literacy, Financial Attitude & Financial Wellbeing

Independent Variable	Dependent Variable : Economic Empowerment of Women					
	R <sup>2</sup>	Adjusted R <sup>2</sup>	F	$\beta$	t	P-value
Financial Literacy	0.0439	0.0403	0.0008	1.3704	3.53	0.001
Financial Attitude	0.0394	0.0356	0.0013	.2652	3.33	0.001
Financial Wellbeing	0.1009	0.1009	0.0000	.6780	5.59	0.000

Table 4.4 shows the analysis of regression of financial literacy, financial attitude and financial wellbeing with economic empowerment. To assess the outcome on economic empowerment of each of the following independent variables i.e. financial literacy, financial attitude and financial wellbeing, the regression analysis was used. It is presumed that the financial literacy is related with the empowerment of women. Greater the level of financial literacy, higher will be their empowerment. F-value is 0.0008, t-statistics is 3.53 and the P-Value of regression analysis is lower than 0.05 and thus there is a significant positive relationship between financial literacy and economic empowerment of women. For other variables like financial attitude and financial wellbeing, financial wellbeing is highly significant as P-value is .000.

Table 4. 5 represents the  $\beta$  estimates of the logistic regression. The P-values for all are less than 0.05 signifying that these are significant forecaster. The P-value for financial literacy is 0.020, financial attitude 0.000 and for financial wellbeing is 0.000. Financial literacy, financial attitude and financial wellbeing has significant positive relationship with economic empowerment. The coefficient value for financial literacy is 1.835.

Table 4.5: Logistic Regression Analysis Results

Independent Variable	Dependent Variable : Economic Empowerment of Women				
	Coefficient	SE	P-value	95% Confidence Interval	
Financial Literacy	1.835	.7826	0.020	.2935498	3.35784
Financial Attitude	.8665	.1729	0.000	.5270609	1.204039
Financial Wellbeing	.9098	.2612	0.000	.3973008	1.420038

## V. CONCLUSION

Overall financial literacy depends on socio-economic factors. But they are not much concerned when it comes to money management. The financial literacy is effected by education, income, nature of employment, marital status of women and it does not get effected by age. Financial literacy; financial attitude and financial wellbeing are significantly and positively associated with economic empowerment. The above findings are in track with the studies conducted by Lusardi and Mitchell (2007). Financial attitude is strongly related with financial literacy

and household wellbeing and empowerment (Cole et al., 2008). And in short, Financial literacy leads toward women's empowerment and wellbeing, and ultimately, economic empowerment (Judy L. Postmus, Sarah McMahon et. al. 2012). Thus there is significant relation between all the three variables with economic empowerment of women. Different studies provide different results of socio-demographic and economic factors and relation of these with financial literacy and all this with variables like financial attitude, financial wellbeing, financial concerns, and financial preparedness. There are many takeaways for the financial institutions, various players in the market and the government. Women if financially literate, they can save money and invest wisely without being cheated. They can be independent in taking decisions especially single women. There are many women who are still away from the stock markets or even from the mutual fund industry. The attitude over finance depends on how literate they are and these two variables will influence the financial wellbeing of women. If they are financially sound they will be empowered in all spheres. This will be passed to the next generation as mothers influence more in terms of setting right path and financial goals in the family. It also will lead to mutual respect between the spouses. Thus it will lead to financial wellness in the family and a more stable economy as the savings are channelized properly in the form of investment in the economy. The study is limited by time frame and the sample. Future studies can be done covering larger geographical areas and including men as they also are earning members in the society.

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